

**Post 2006 Work Group Meeting #4
Seattle, Washington, January 11, 2004
Draft Meeting Notes**

Referenced Documents:

- Agenda w/ attachments (dated 1/4/05)
- Post 2006 Conservation Work Group (WG) Program Design/Funding Mechanism Subcommittee Statement (Keith Lockhart's power point presentation)
- Tom Ekman's Presentation on the Council's 5th Power Plan
- Sign in Sheet for attendee's

Meeting Notes

John Pyrch opened the meeting asking for introductions, setting the tone for the meeting (that as a group we are stronger working together and will build a better proposal for the conservation programs) and reviewing the planned agenda. Two changes were made to the agenda; (1) the addition of Tom Ekman's presentation on the Council's Plan and (2) Tim Scanlon's presentation on Bonneville's current application of the decrement with Slice utilities.

John Pyrch provided an overview of the Tentative Schedule of Activities for FY 05, pointing out the WG Meeting on January 20th, from 1 to 3 is an open meeting. In this meeting the WG will formally present their proposal to Bonneville. John also described the importance of identifying the proposed funding amount needed for his use in the Power Function Review process. Another point emphasized was that there will be other opportunities to comment on the proposal during the public review process. Review and comment period will also be designed into the schedule for Phase 2 of the Post 2006 Conservation Program Design Process.

John then described features of a proposed bridge agreement to assist with transitioning from the current programs to the programs in the Post 2006 rate period. Bridge agreements will be available on a case-by-case basis for lost opportunity and large retrofit projects that would be started in this rate period and completed in the next rate period. These agreements will be bilateral in nature. C&RD projects cannot be bridged into the next rate period. Bridge agreements will be patterned after ConAug and will be individually negotiated with interested utilities. The decrement will apply to the bridge agreements. John advised that the incentive rates for bridge agreements will be the same as ConAug currently pays and these agreements will not be amended to reflect the new reimbursement rates for the Post 2006 programs.

Keith Lockhart then began his presentation¹. Keith described that he knows that a 100% majority does not support the proposal and that he has tried to capture the majority opinion to put forward in the WG Proposal.

¹ Note: The comments and recommendations from the afternoon session related to unresolved issues have been added into this section of the notes.

Slide 1 - Program Structure

The bolded titles was revised to state **“We support the 12/13/04 Post 2006 Conservation Program WG structure recommended provided:”** No other comments were made on this slide.

Second 2 (not included in the WG handout)

The slide added stated, **“We support BPA’s establishment of bridge agreements”**

Slide 2 - Flexibility

WG Members wanted the flexibility to be able to move budgets and targets as needed to adjust to new opportunities. It was identified that BPA’s flexibility to shift budgets and targets related specifically to the bilateral agreements. Once the dollar amount is established in the Rate Credit component of the program, those dollar amounts would be set of the rate period.

The WG moved to make this slide more explicit regarding the budget and target flexibilities being solely related to the bilateral component of the Post 2006 programs.

Slide 3 – Cost Effective Measures

Keith acknowledged there are three opinions regarding the 56 aMW target. WG members discussed the three statements identifying use of the words “cost-effective” in the first and second statements as not being clearly distinct. The following points were made during the discussion of this slide.

- The first two statements were identified as the difference between benefit-cost ratios of less than or greater than 1.
- That the difference between the first two statements is between measures that are cost-effective and those not considered cost effective according to the Council’s Plan.
- That measures not considered cost-effective according to the Council’s Plan cannot be counted toward achievement of the 56 aMW target and that expanding the program to include non cost effective measures makes the target bigger.
- That regional utilities may offer incentives for measures that are not cost-effective, but Bonneville cannot.
- That the Plan is not comprehensive and that the list of cost-effective measures change overtime.
- That removal of ½ of the listed measures has become an urban myth and some windows and heat pumps are/will likely be on the list. The measure list is a function of changes in power rates, discount rates measure costs etc.
- That WG members needed to see the list of measures before they can fully commit to achievement of the 56 aMW target.
- That when “programs meet the road” end-users like their windows, heat pumps, etc, and that the purity of the Council’s model does not always match the conservation measures consumers install.
- That it may be necessary to pay for measures that are not cost-effective in order to purchase those that are cost effective.

- That the Council has, since the early 1990's, had in the Power Plan a condition provision that allows for a process to evaluate and, if accepted, include as eligible for Bonneville reimbursement, measures not shown in the cost-effective list.

WG members expressed majority and minority views on revision of this slide. A minority view was held that the statement "BPA should only pay for cost-effective conservation as defined by the Council" should be retained in this slide.

A motion was made that the last two bullets of the slide should be replaced with "Energy Conservation Measures with Benefit/Cost ratio <1 should be eligible for reimbursement from Bonneville up to the program incentive (\$/aMW) limit and the savings should count toward the Council's 56 aMW target."

Slide 4 - Oversight and Evaluation

The WG agreed with the statements on this slide. A question was asked on if "supported" means financially. It was acknowledged that supported means (a) philosophically support evaluations being done and (b) that the utility will expend staff time, share data or provide financial resources while participating in evaluations.

Slides 5 and 6 Budget and the Allocation Slide

The WG discussed these slides at length. Topics ranged from changing the target, changing the budget amount, changing the allocation scheme, and to development of a variety of proposals.

The WG agreed upon to revise Slide 6 and the allocation Slide as follows.

- The Budget should \$80 million
- An additional \$1.6 million would be made available for infrastructure support.
- An inflation factor would be built in for all programs.
- The programs would run for two years and if it appears the target will not be met (5 – 10 aMWs short) the budget and the willingness to pay would be increased (this was not to be an automatic provision).

The WG also decided to develop four allocation charts. Two charts would be at the \$80 million level and two would be at the \$100 million level.

Questions/Comments/Proposals

We've heard \$80 million is the number, that is it, let's change the goal.

The 56 aMWs is too big a target. What is the price for failing to achieve the 56 aMW target?

If there are no consequences for not meeting the 56 aMW goal then there is no incentive to meet it.

We can't support a lower goal if it means higher power costs.

If the \$80 is not enough is there a plan for the backstop? What is the backstop?

Will the utility have utility specific targets? (no)

The WG should start with the \$80 and the 56 aMW target and at the end of a two or three year period a review would be conducted to assess the ability to reach the target and if it is determined that the goal can not be achieved, the budget would be increased.

The \$80 million does not have an inflation factor built into it. The inflation factor could be used to increase the dollars in the out years (at least at the rate of inflation).

The numbers in the allocation should be shifted, put more in rate credit.

Don't presume the listed cost in the rate credit will be the \$1.9 million, I did my commercial and industrial projects through the rate credit at a lower cost.

Will the \$80 million be discussed in the Power Function review? (The number recommended by the WG will be included in the PFR).

Slide 6 Remaining Issues to Be Resolved

One specific question came up regarding the catch up issue, e.g. the difference between the Council's Plan period and Bonneville rate period.

Presentation on Council's Plan

See Presentation

Presentation on Decrement

Tim provided an overview of the current application of the decrement in ConAug. That is, the decrement requires:

- A one-for-one reduction in kWhs
- The decrement is necessary, but not sufficient for ConAug, there have to be actual energy savings produced that are equivalent to the block reduction
- There is a minimum size (1 MW) that must be achieved.

The decrement is designed to be an interim tool designed to reduce the obligation to serve between periods when net requirements are recalculated (typically when power sales contracts end and new ones are negotiated). The decrement does not change the formula for calculation of net requirements and it is Bonneville's expectation that the

savings from the hard equipment installed will become a part of the loads that are accounted for in the actual calculation.

Discussion centered on the following points.

- As currently designed, the decrement allows Bonneville to retain all the benefits of the reduced loads, thereby allowing Bonneville to use the power freed up for other purposes.
- As designed the decrement causes the utility customer to weigh the benefits of selling the conservation resource to Bonneville, thereby providing Bonneville with the benefits described above, or installing the conservation measures and retaining the benefits of the load reduction for their own purposes.
- Removing the decrement may involve sharing the benefit, such as a 1 for 2 reduction or having Bonneville sell the power into the market and sharing the receipts with the customer.

The WG agreed that the decrement should not be a barrier to do conservation and that more options needed to be developed before a recommendation could be made.

The WG also recommended that there should not be a decrement on the rate credit.

Small Utility Group Proposal

John Fredricks wanted the mid December proposal to be added to the record as part of the WG proposal.